

Management News

Business Conditions and Forecasts

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President's Scratchpad

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Management Will Do Its Job

MANAGEMENT comes in for a good deal of criticism these days, not only from some government officials, labor unions and their sympathizers, but from management itself. In fact, it is hardly possible to attend either a formal management meeting or an informal gathering of managers without hearing about management's faults.

We are told that management cannot "continue to treat human beings as though they were cogs in a machine," that it must divest itself of its inefficient procedures and time-wasting techniques, that it is neglecting its public relations job or doing it badly, that it is making too much or not enough profit. We hear of firms which have discovered whole groups of employees secluded in corners of their offices busily engaged in preparing reports whose purpose has long since been forgotten, of insurance programs which do not protect when a loss occurs, of firms which are neglecting to budget properly, of others which do not make capital expenditures wisely.

It is true that there is no implication management as a whole has all these faults, or any one of them to any great degree. But the cumulative effect of the continued self-examination—at meetings and conferences, in business publications, and in private conversations—sometimes becomes a little discouraging. Poor-old management begins to look like a "useless sort of a duffer" who can't do anything right.

One factor, of course, is that management's job is today more difficult than it has been at any time in the past. In the nature of things, management has never had a really stable economy or a really stable world in which to operate. The manager is accustomed to change, and to adjusting both his procedures and his outlook to it. But today the pressure of events is intensified. New developments that must be taken into account in both short and long-range planning are appearing at an accelerating rate. Changes are occurring faster, and the manager must be prepared to make adjustments more quickly.

Just in the past few months, for example, we have seen a change from boom to recession to upturn again, a series of crises abroad of which the devaluation of the pound is only one, and some new—and perhaps far-reaching—developments in collective bargaining. And these are only a very few of the events which have presented problems for management, problems which must be solved, not one by one with leisurely deliberation on each, but simultaneously and quickly.

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Trends in Business

General Outlook

Business commentators seem agreed that the general outlook for the rest of the year is good—provided prolonged strikes in steel and coal do not pull down the production index, and with it employment and purchasing power.

Employment figures for the month ending August 15, released this week, lend support to the general optimism. Non-farm jobs rose by half a million, manufacturing jobs by 330,000. Particularly encouraging was the gain in the depressed textile industry, which added 50,000 to payrolls that had been on the downtrend since last summer. The apparel industries, in which employment had been declining for several months, showed a gain of 90,000. In hard goods, declines of employment in shipbuilding and railroad equipment were more than offset by rises in other sectors, for a net gain of 50,000.

The extent to which personal income and retail trade have held up during the past few months is also taken as an encouraging sign. "Though inventories have been reduced and industrial production and prices have dropped as a consequence," says the Department of Commerce, "The firmness of other segments of the economy continued through the late summer of this year. There was no tendency for the moderate declines which occurred early this year in personal incomes and retail sales to deepen appreciably."

There is some fear, however, that the "correction" which hit the lighter industries earlier may set in for the automobile and construction industries and other strong components later on and cause another, and perhaps sharper, recession.

Short-run effects of the devaluation of the pound are also causing some concern.

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President's Scratchpad

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This, I think, accounts for the fact that managers seem to be more critical of themselves and each other than they have been in the past. With greater responsibilities, come greater chances of failure here and there, in this or that aspect of the managerial job, even though performance as a whole may be extraordinarily good.

Management is not inept; it is not inefficient; and it is not unprogressive; we have no reason to be discouraged about its advance. On the basis of the past record, the prognosis is extremely favorable.

Actually, of course, management is doing a pretty good job, not only in producing goods and services and in distributing them, but in employing the new techniques of psychology and sociology in dealing with its employees. In support of that statement, one need only cite our continuously rising standard of living, and the increasingly widespread interest in management circles in providing non-economic as well as economic job satisfaction. Further, as anyone who has followed the trend of management thought in the past few years well knows, management is hammering out a new philosophy which looks beyond the confines of its own factory or office walls to wider responsibilities—to the community and the nation.

When we stand back and look at the management picture as a whole, it ceases to be discouraging; it is only in details that we appear, sometimes, to be bogging down. Management will make progress—it will meet the increasingly difficult problems ahead; there is no doubt about that. The only question is: How fast and how easily?

Our self-critical attitude is a healthy sign. The moribund institution which has already served its purpose never indulges in self-examination. It is complacent and untroubled as it loiters down the road to extinction. Only vital individuals and institutions are ready, even eager, to admit that they are something less than perfect and that no matter how good they seem to be at any given moment there is always plenty of room for improvement.

The answer to the question "How fast and how easily?" is, of course, different for different companies. The best-managed will, naturally, lead the advance, and most of the others will follow along, though some of the more poorly managed may fall by the wayside. And I submit that it is the more self-critical that will lead the procession, those who are most willing to re-assess their policies and procedures with a view to finding out where they are falling down and what they can do to remedy the situation. This is the way progress is made toward more and more scientific management.

However, I don't think that there would be very much harm done if we as individuals would stop every once in a while and refresh ourselves with a view of management as a whole—the accomplishments already chalked up to its credit, and the promise it holds for the future. American management is not going to be perfect by a

week from next Tuesday, it is true, or even by some Tuesday of next year, but we are making progress. If we can't afford to become complacent, we can't afford to become discouraged either, and there is no reason why we should be. If the job is more exacting than it has ever been, it is also more exciting and rewarding than in the past. I, for one, do not believe that management will fail at it, and I don't think there are very many managers in business today who entertain that idea as a possibility.

Trends in Business

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In the long run, of course, the move is expected to promote world trade and hence prosperity here, but the short-run effects will undoubtedly be somewhat deflationary, since it will tend to cut American cash exports.

Production

The Federal Reserve Board's Index of Industrial Production, which recovered in August to the June level of 169, is expected to reach 171 in September. Steel ingot production was around 85 per cent of capacity during the early part of the month and the automobile industry has continued at record-breaking levels. Production has increased noticeably in aluminum, paints, shoes, textiles and appliances, particularly refrigerators.

Distribution

Both wholesale and retail sales remain moderately below the level of a year ago in dollar volume, but it is generally agreed that a good part of the decrease reflects lower prices.

Prices

Raw material prices have been rising this summer, and in recent weeks some of the advance has been reflected in commodity prices. A high level of consumer demand has tended to support wholesale prices of food during the summer, though they are still well below the figures reached during the peak of the inflation.

Labor and Wages

The workweek in manufacturing industries rose slightly between July and August, from 38.8 to 39 hours, but was still about an hour below last summer's average. Average hourly earnings dropped from \$1.409 to \$1.40, primarily because so much of the rise in employment occurred in the low-paying non-durable goods industries. Weekly earnings were virtually unchanged from the previous month.

Sources:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST CO.
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

Research

Grievance Arbitration

In the course of AMA's current study on the selection of arbitrators for grievance disputes, companies, unions and arbitrators emphasized the value of accord between the parties on the function they want the arbitrator to perform and the limitations to be imposed on him. Apparently there is also a need for companies and unions *unilaterally* to review their own approaches to arbitration. It was generally felt that this must precede any really analytical approach to consideration of the qualifications of arbitrators and evaluation of their records.*

Jurisdiction of the arbitrator • Numerous companies urged the need for more control over the *ad hoc* arbitrator. The most effective means suggested was negotiation with the union on the arbitration process itself, with a view to insuring that every phase of it be shaped by the parties themselves. Important questions to consider would include these:

What do you want the arbitrator to do? What authority does he have under the arbitration clause of the collective bargaining agreement? What is the inter-relationship of that clause with others—for example, with the management prerogatives clause?

What matters are arbitrable under the contract? Are the pertinent clauses adequate for an adjudication of those issues or would the arbitrator have to exercise a legislative function? How much latitude shall the arbitrator have in making his decision? What criteria, besides the contract, are available for his guidance?

Such a complete understanding often comes only after the parties have had considerable joint experience with arbitration; in some management-union relationships it is never achieved. The point of selecting the arbitrator is often the focus of the parties' divergent concepts of arbitration or their different objectives in using it.

The submission agreement • However, there is an immediate opportunity in the submission agreement to set the limits of any particular arbitration. Many respondents to the AMA survey regretted the too common failure of parties to prepare a joint statement of the issue in dispute, or noted that where such a submission agreement is entered into, it is frequently worded so carelessly that both the problem to be decided and the arbitrator's authority are ambiguous. Too often the arbitrator receives only a copy of the written grievance and a statement of the parties' respective positions with regard to it. While this procedure is appropriate in some permanent arbitration set-ups, it is hazardous in *ad hoc* arbitrations because it leaves the arbitrator's jurisdiction quite undefined. Many arbitrators in *ad hoc* proceedings have to clarify their jurisdiction by assisting the parties to formulate a proper submission.

Obviously, if the parties neglect to execute a joint

* In this research AMA has initiated several hundred contacts, but would welcome the views of other companies, unions and arbitrators who might care to comment on any aspects of the problem of selecting an arbitrator for grievance disputes.

submission, with the aid of their own counsel, they have lost the main opportunity to shape the arbitration process themselves. Perhaps, also, a more important opportunity is lost: Drafting a submission agreement requires the parties to distinguish the points in conflict and those on which there is agreement. Thus the way is cleared for further negotiation, and for possible settlement of the dispute without resort to arbitration.

Permanent arbitration • Some emphasis was placed on the desirability of a greater number of companies giving consideration to establishment of permanent arbitration set-ups (for the duration of their contracts or other specified periods). Such an arrangement, many respondents felt, is a safeguard when the contract contains a large number of matters on which the parties have negotiated quite precise terms, for neither managements nor unions want to jeopardize provisions they have jointly worked out, and detailed contracts of such scope require considerable study by the arbitrator. Where the contract is of the administrative type, where many of the terms are phrased broadly, and where the parties regard much of their contract as a statement of policy to be worked out in day-to-day dealings, permanent rather than *ad hoc* arbitration seems to be regarded as a necessity.

Some of those favoring the permanent arbitrator or board felt that this arrangement gives them more control over their arbitration process; others stated they can properly give the arbitrator wider jurisdiction. But the most frequent reason mentioned was that the permanent arbitrator is more likely to be given all pertinent information in a dispute while the *ad hoc* man is not ordinarily taken into the parties' confidence to the same extent. The relationship between the parties is important in influencing the tenure of arbitrators, but AMA received as many recommendations that the permanent tribunal be considered where the relationship is particularly good as where the parties are having continued difficulty. Other pertinent factors are the complexity, diversity, magnitude and far-reaching effect of arbitrable issues, size of the plant, and number of employees covered by the agreement.

Frequency of probable use of arbitration does not appear to be the main reason why parties establish a permanent arbitration set-up (though it may certainly be a factor specifically indicating the desirability of such an arrangement). Availability of the arbitrator seems to be one of the chief objectives. This has worked a disadvantage sometimes where the parties have resorted to arbitration after only perfunctory use of grievance procedures, thereby weakening collective bargaining between them. But this defect is not inherent in the permanent arbitration set-up.

Ad hoc arbitration • It is important to note that many companies reported a distinct preference for *ad hoc* arbitration of grievances, even companies that contemplate resorting to arbitration quite frequently. Several mentioned that they are using the same *ad hoc* arbitrator on various cases despite the fact that they have been disappointed in some of his decisions.

Flexibility of the *ad hoc* arrangement seems to be the feature that attracts these companies.

It seems probable that the bulk of grievance arbitration will continue to be conducted on an *ad hoc* basis, for a great many companies may go to arbitration only once or twice in a period of several years. For these, the best plan seems to be the inclusion in the labor agreement of a *method* of selecting the arbitrator if the need arises. A great many companies reported to AMA that they encounter no difficulty with this type of clause, provided it sets time limits within which the parties must agree on the arbitrator and provides a means of delegating the selection of the arbitrator to an outside agency or person in case of a deadlock between the parties.

Improving *ad hoc* selections • There seems to be some interest in stabilizing *ad hoc* arbitration, by resorting to the means of selecting the arbitrator *before* a dispute arises. This permits time for an investigation of arbitrators' qualifications and joint discussion of the suitability of various men. Even where the parties cannot agree on the *qualifications* their arbitrator should have, it is often possible and advantageous to name him before a dispute arises, or at least to decide on a panel from which he will be chosen.

Thus, when the collective bargaining contract is signed, or shortly thereafter, the parties may ask the American Arbitration Association and the Federal Conciliation Service to submit lists of names long enough for them to strike off all but about, for example, seven. These men then constitute a panel from which the parties will select *ad hoc* arbitrators as the need arises. The following clause provides for inclusion of the panel in the appendix to the agreement:

In the event that arbitration is necessary at any time, the Union and the Company shall, within ten calendar days from the date of receipt of the written notice, agree upon an arbitrator or failing to reach such agreement shall select from a panel of qualified arbitrators, which panel is set forth in Appendix B of this Agreement, an arbitrator whose decision shall be accepted by both the Company and Union and shall be final and binding on both. It is understood and agreed that in making selection from the aforementioned panel each party shall have the privilege of disqualifying not more than four of the arbitrators named on such panel.

Various other devices have been worked out, often by small companies and unions. The services of an experienced arbitrator can frequently be arranged for on the basis that his name will be listed in the contract and that he will be paid only when used. Where such an arbitrator would have to give some time to keeping abreast of developments in the industry or in the relationship between the parties, a nominal retainer may be agreed upon with provision for a fee if and when he is called in on a case.

Tripartite arbitration • It was interesting to note the widespread preference for grievance arbitration by a single impartial arbitrator. Both substantive considerations and considerations of convenience, time, and

cost were mentioned. Maxwell Copeloff (author of *Management-Union Arbitration*, Harper & Bros., New York, 1948) well expresses the general view:

For most types of disputes, the advantages of a single arbitrator seem greatly to outweigh the advantages of a tripartite board. Just in the matter of expediting the hearing and decision on the case, it is obvious that selecting three arbitrators, arranging meeting dates, etc., are time-consuming processes. There may be additional delays in getting the three arbitrators together for the review and the discussion of the issues after the arbitration hearing. Still further delays may occur in trying to get a unanimous decision, or, failing that, in waiting for the dissenting arbitrator to write a minority opinion.

But there are more important considerations. The essence of arbitration is impartiality. Rare indeed is the arbitrator appointed by a company or a labor organization as a member of a tripartite board who will really act as judge rather than advocate. If he earnestly tries to be impartial, the people he represents may feel he has "let them down." If he persists in rearguing the case of his side at a closed session of the board after the arbitration hearing is over, the whole proceeding tends to become long-drawn-out and repetitious. In the long run, the impartial chairman has to make the final decision. There is always a possibility that he will be unable to get either of the other two arbitrators to agree with what he regards as the only proper decision. Then some kind of compromise has to be effected. The result may be an award that falls short of fairness and justice to either side.

Not all those expressing a preference for the single arbitrator are now operating under such an arrangement. A very large number of contracts still provide for tripartite boards to handle grievances. This may be a hold-over from War Labor Board days when many companies had their first experience with arbitration of labor disputes; another reason, in some instances, is reluctance on the part of some companies and unions to accept the principle of arbitration—final determination of the dispute by a disinterested, impartial person or board; a third reason advanced is that in labor relations there may be a psychological value in a decision in which both sides have participated.

In quite a few instances both companies and unions feel there is much less likelihood under the tripartite arrangement that the arbitrator will be unaware of important details he should have before him in making his decision. They believe an arbitrator who is counselled by a representative of each party is less likely to hand down an award which is unworkable. In the interests of preserving the concept of impartiality under the tripartite set-up, many respondents suggested that neither the labor nor the management representative have a vote, and the decision be made by the chairman.

The special advantage of any board, as compared with the single arbitrator, is that several persons can contribute a variety of specialized knowledge and experience. Ordinarily, however, a single impartial arbitrator can assimilate and integrate the information—both technical and otherwise—which the parties present during the hearings, and make a decision concerning the proper interpretation or application of the collective bargaining contract. Business men, of course, well understand this ability, for as administrators many of them must constantly understand and integrate the reports of their various technical and professional assistants.

—EILEEN AHERN

Listening Post



Collective bargaining patterns •

Small companies particularly are concerned with the extent to which any settlements achieved in the much-publicized collective bargaining negotiations of the industrial giants will become a "pattern" for all of industry.

Undoubtedly results in steel and at Ford will have an influence, but it is not at all certain that any rigid pattern will develop. At any rate, small-company contracts signed this summer seem to range all over the lot, varying widely even between locals of the same international. To illustrate:

The New York State Department of Labor publishes a periodic digest of settlements made within the state, showing direct wage adjustments and other contract changes. Most of the companies concerned are small; in the majority of cases they have fewer than 1,000 employees, and in many fewer than 100.

The latest digest lists, for example, about a dozen contracts signed by Union A (CIO affiliate) in which settlements vary all the way from 17 cents an hour on a first contract to a 10 per cent reduction. In some cases, this union has continued its old contracts without any change whatsoever; in others it has gained only a small wage rise, or merely increased vacation benefits.

Then here are five contracts signed by Union B, also CIO, with different companies within the state: No. 1 calls for 5 cents an hour retroactive to last spring with an added 5 cents next December; No. 2 for 5 cents an hour plus a sick benefit plan to start next February; No. 3 continues wages at the same level but adds an employer-financed health and welfare plan; No. 4 makes no changes in basic wage rates, but provides for an increase in the third-shift differential from 5 to 7½ cents an hour; No. 5 provides neither for a wage increase nor for additional fringe benefits of any kind.

Or take Union C, AFL: it has signed for \$3 per week, for \$2 per week plus substantial fringe benefits, for \$1.50 per week with an extra dollar later on and no added benefits, for a health and welfare plan but no wage increase, for a flat increase of \$4 per week.

Employee opinion surveys • Your employees may say they like your personnel programs, but do they like them for the wrong reasons? One company ran an attitude survey a few years ago which showed that just about everybody liked its programs; since then it has been bumping into cases which indicate some people are overestimating the benefits. Among others, there have been the man who thought he was protecting his grandchildren with his hospitalization insurance and the woman who believed she was building up a savings account with her health insurance.

Conversely, there have been cases in which advantages were underestimated. Only last month the company had to explain the workings of the various welfare plans to

the union bargaining committee, which had begun a spirited drive for benefits smaller than those already in effect.

Group incentives • A Canadian company which has been using the Bundy Tubing Plan of group incentives since April, 1947, reports the following productivity rises:

MAN-HOURS PER TON SHIPPED ON SAME PRODUCT MIX	
1945	20.2
1946	19.1
1947	17.2
1948	16.0
(6 mos.) 1949	15.33

It will be noted that the firm's productivity was on the rise even before the program started, but the management believes that several other advantages have accrued. The plan, the company president states, has reduced labor turnover substantially, has created a general interest in the business on the part of the mill employees, and affords some protection against adding men to group operations when the subject is brought up in collective bargaining negotiations.

The Bundy plan is based on the ratio of labor cost to the sales dollar, with the savings split 50-50 between company and employees. For example, let us say that labor costs in the base period used for calculating the formula were 30 per cent of the sales dollar. Then, if sales totaled \$840,000 during a given month, the allowance for hourly rated labor would be 30 per cent of that figure, or \$252,000. Half the amount remaining after deduction of regular wages would be paid to employees in the form of a bonus.*

Incentives in a job shop • A factory manager we met the other day tells us he has licked the problem of incentives for a job shop. While the plan might not be feasible for all plants, it has some interesting features:

The firm has found that work on jobs of all types can be broken down into certain standardized motions, and that once the initial breakdown has been made, it is a comparatively simple matter to calculate the number of each type of motion required by any single job lot. To insure that the work is performed in the standard way, employees have been given a ten-week training course.

Importance of communication • Not long ago a company in New England found itself with a wildcat strike on its hands because of a program designed to improve management planning and practices. Employees saw a lot of industrial engineering studies in progress, and assumed that some sort of "speed-up" was in the making. They walked out first and asked questions afterwards.

* See "A Plan to Share Cost Savings with Employees," by David W. Rust, *Personnel Series 103*, pp. 19-25.

Activities of the AMA

Office Managers Plan Two "Idea Exchanges"



COLEMAN MAZE
Chairman, Department of Management and Industrial Relations, New York University, and AMA Vice President for the Office Management Division.

Two "Idea Exchanges," one for large companies and another for small ones, will be features of the AMA Office Management Conference, to be held October 20 and 21 at the Hotel Statler, New York City. The program is under the direction of Coleman Maze, Vice Chairman, Department of Management and Industrial Relations, New York University, and AMA Vice President for the Office Management Division.

At each of the two "idea" sessions, each of five or six speakers will present five-minute talks dealing with a new idea in office management which has worked well for his company, and a discussion of individual problems presented from the floor will follow. Speakers at the "Large Office Idea Exchange" will include: John Handy, Jr., Deering Milliken & Co., Chairman; Roy Walls, Bridgeport Brass Company; James Foley, Remington Rand, Inc.; S. R. Leach, York Corp.; and L. E. Isaacson, Eastman Kodak Company. Albert Beste of Koenig Coal and Supply Co. will be Chairman of the small office session, and among the speakers will be Robert Brown, Bird Coal Co.; Edith Harper, Scott-Foresman, Inc.; Powell Majors, Lance, Inc., and Howard McCullough, Stromberg-Carlson Co.

The program as a whole will stress cost reduction in the office, with papers on mechanization, on cutting filing costs, on saving space with functional furniture. There will also be a session on office personnel practices, at which a demonstration of the role-playing technique in supervisory training will be given by Alexander Bavelas of MIT.

At a luncheon on the second day, William L. Batt, SKF Industries, and former Chairman of the AMA Board, will give an address on "Our Personal Interest in World Economy."

Production Men to Hear Reports on Cost Control

The AMA Production Conference, planned for November 10-11 at the Palmer House, Chicago, is designed to place before the membership ideas and practices which have proved successful in reducing and controlling costs. Company representatives will report on such things as "A Plan for Auditing Indirect Costs," "An Approach to Incentives for Indirect Workers," "A Workable Job Order Incentive Plan," "Profits and the Production Department's Responsibility," "Quality Control in Action," and "The Cost of Industrial Moves."

At an experience clinic on the afternoon of the opening day, brief papers on ideas for improving shop practice will be presented: "Installing a Foreman's Budget and Bonus Plan," "Stepping Up Production with the

Unit System," "Mechanized Inventories for Streamlining Production Control," "Improving Productivity at Machine Operations," and "Day-Long Communications with Factory Foremen." Following the presentation of the papers, the meeting will be thrown open for discussion from the floor, and speakers will serve as a panel to answer members' individual questions.

Another panel session, on the afternoon of the second day, will consider "Conflicting Areas of Union-Management Jurisdiction," particularly as they affect production standards. Dr. John Riegel of the University of Michigan will be Chairman and panel members will include: Neil Chamberlain of Yale University; William Gomberg, International Ladies' Garment Workers' Union; C. G. Mugridge, Labor Coordinator for the Glass Industries, and a representative of a large manufacturer which has had experience with the problem.

Finance Conference Planned December 1-2 in New York

The expanding influence of the financial officer, and the new responsibilities it brings will be considered at the AMA Finance Conference, scheduled for December 1-2 at the Waldorf-Astoria, New York City. Financial planning and leadership as a key to sales, production, and profits will be the theme of the conference.

Among the topics scheduled for discussion are "World Trade and the American Corporation," "The Importance of Profitability to Management," "Evaluating Departmental Performance," "The Outlook in Taxes," and "The Place of the Financial Officer in Top Management Planning."

John H. MacDonald, Administrative Vice President, National Broadcasting Company, and AMA Vice President for the Finance and Accounts Division is in charge of the program, assisted by members of the Division Planning Council.

Insurance Division Arranges Conference for December 15-16

The Insurance Division of the AMA will sponsor a two-day conference December 15-16 at the Drake Hotel in Chicago.

Subjects under consideration for the discussions include "The Impact of Rating Laws on the Insurance Buyer," "Multiple Location Risks," "Insurance Buying in Today's Economy," "Loss Prevention and Its Effect on Retrospective Rating," A "Bread and Butter" panel session at which members of the audience will have an opportunity to put questions to a panel of experts will be another feature. Serving on the panel will be specialists in fidelity and surety, liability, fire, and boiler and machinery insurance.

Russell B. Gallagher, Manager, Insurance Department, Philco Corporation, and AMA Vice President for the Insurance Division, is in charge of arrangements for the program.

